



## Independent auditor's report to the Trustees of Christchurch Catholic Diocesan Development Fund Trust

### Opinion

We have audited the financial statements of Christchurch Catholic Diocesan Development Fund Trust ("the trust") on pages 3 to 24, which comprise the statement of financial position of the trust as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the trust, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 3 to 24 present fairly, in all material respects, the financial position of the trust as at 31 March 2020 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the trustees, as a body. Our audit has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trust and the trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the trust in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We perform other assurance services for the trust. We have no other relationship with, or interest in, the trust. Partners and employees of our firm may deal with the trust on normal terms within the ordinary course of trading activities of the business of the trust.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## Financial Assets at Fair Value through OCI

### Why significant

- ▶ Financial assets at Fair Value represent 83% of the trust’s total assets.
- ▶ As disclosed in Note 2(f) of the financial statements, these financial assets are recognised at fair value through Other Comprehensive Income in accordance with NZ IFRS 9: Financial Instruments.
- ▶ Market volatility can have a significant impact on the value of these financial assets and the financial statements; therefore, the recognition and valuation of investments is considered a key area of audit focus. At and subsequent to 31 March 2020 financial markets were significantly impacted by the COVID-19 pandemic and during this period they have experienced greater than usual volatility.
- ▶ Disclosures regarding the trust’s investments at 31 March 2020 are included in Note 3 to the financial statements.

### How our audit addressed the key audit matter

Our audit procedures included:

- ▶ Gaining an understanding of the processes used to record financial asset transactions and the revaluation of the investment portfolio.
- ▶ Obtaining and considering the Independent Assurance Reports on Controls for the trust’s Investment Custodian. We considered the implications of any control deficiencies for our audit. We relied on these controls to gain assurance over the recognition and valuation of the investment balances.
- ▶ Receiving third party confirmations directly, for each underlying investment holding, of the number of securities or units held by the trust and their respective exit prices at balance date. We agree the recorded holdings to those confirmations and recalculated the resulting investment valuations.
- ▶ Obtaining verification of bonds and capital notes terms through external sources.
- ▶ Assessing whether the disclosures in the financial statements appropriately reflected the trust’s exposure to financial instrument risk with reference to NZ IFRS 7 Financial Instruments: Disclosures.

## Expected maturity of Parish and Diocesan deposits impact on liquidity risk

### Why significant

- ▶ At 31 March 2020, the trust had \$28,199,000 of depositor funds due to contractually mature within the 12 months after balance date. The expected maturities for Diocesan and Parish deposits are significantly longer dated than their contractual maturities due to the Diocesan and Parish Norms implemented by the Bishop. However, the Diocese and Parishes are entering a lengthy period of substantial expenditure relating to Cathedral and Church rebuilds that will require withdrawal of some of these depositor funds and creates additional uncertainty as to the timing of expected withdrawals.
- ▶ Should the trust incorrectly estimate the expected repayment profile of deposits it may not have sufficient cash on hand to settle its liabilities and so may need to sell or otherwise settle financial assets at fair value earlier than anticipated and at values below those otherwise anticipated.
- ▶ Details of the contractual and expected maturities are disclosed in Note 3 to the financial statements.

### How our audit addressed the key audit matter

Our audit procedures included:

- ▶ Evaluating the assumptions applied by the trust in assessing the expected maturities of Parish and Diocesan deposits, including comparison to historical withdrawals and deposits rates, and consideration of expected withdrawals of depositor funds relating to the Diocesan cathedral and churches rebuild plan.
- ▶ Assessing whether the disclosures in the financial statements adequately reflect the trust's contractual and expected maturities for all assets and liabilities.

## Information other than the financial statements and auditor's report

The trustees of the trust are responsible for the Annual Report, which includes information other than the financial statements and auditor's report which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.



When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

### **Trustees' responsibilities for the financial statements**

The trustees are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing on behalf of the entity the trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the trust or cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Bruce Loader.

The signature 'Ernst &amp; Young' is written in a black, cursive script.

Chartered Accountants  
Christchurch  
01 July 2020